

**LOUISVILLE/JEFFERSON COUNTY METRO
REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON
COUNTY METRO GOVERNMENT**
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2011 and 2010

**LOUISVILLE/JEFFERSON COUNTY METRO
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A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON
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**FINANCIAL STATEMENTS
June 30, 2011 and 2010**

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REPORT OF INDEPENDENT AUDITORS

Commissioners
Louisville/Jefferson County Metro Revenue Commission
Louisville, Kentucky

We have audited the accompanying financial statement of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the years ended June 30, 2011, as indicated in the accompanying table of contents, which collectively comprise the Metro Revenue Commission's financial statements. These financial statements are the responsibility of the Metro Revenue Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Metro Revenue Commission as of June 30, 2010 was audited by other auditors whose report dated December 17, 2010 expressed an unqualified opinion on the statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Metro Revenue Commission's proprietary fund and fiduciary funds as of June 30, 2011, and the respective changes in its proprietary fund's net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of the Metro Revenue Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (unaudited) on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our 2011 audit was conducted for the purpose of forming an opinion on the basic 2011 financial statements that collectively comprise the Metro Revenue Commission's financial statements as a whole. The combining and individual fund financial statements on pages 20 through 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements have been subjected to the auditing procedures applied in the 2011 audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 2011 financial statements taken as a whole.

Crowe Horwath LLP

Louisville, Kentucky
October 31, 2011

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2011 and 2010

Management's Discussion and Analysis ("MD&A") of the Louisville/Jefferson County Metro Revenue Commission's ("Metro Revenue Commission") financial performance provides an overview of the financial activities associated with the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Louisville/Jefferson County Metro Government ("Metro Government"). These financial statements include all of the funds associated with the Metro Revenue Commission for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 6.

The Metro Revenue Commission is a component unit of the Metro Government. The Metro Revenue Commission's MD&A should be read in conjunction with the MD&A of the Metro Government. For a description of the Metro Revenue Commission activities and different fund types, see Note 1 to the notes to financial statements which begins on page 10.

Using this Annual Report

This annual report consists of a series of financial statements. The statements of net assets, statements of revenues, expenses and changes in net assets and the statements of cash flows for the proprietary/enterprise fund (on pages 6 - 8) provide information about the operations of the Metro Revenue Commission. These statements include all assets, liabilities, revenues and expenses of the Metro Revenue Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Metro Revenue Commission's MD&A only reports on the proprietary/enterprise fund as this fund accounts for the Metro Revenue Commission's operations.

The combining and individual statements of fiduciary net assets are presented because the Metro Revenue Commission is financially accountable for those resources although they belong to the fiduciaries of the Metro Revenue Commission.

Statements of Net Assets

- (1) Assets of the Metro Revenue Commission increased 1.91% (\$55,220,833 as of June 30, 2011 compared to \$54,185,234 at June 30, 2010) due to an increase in cash received from taxpayers.

Assets of the Metro Revenue Commission were \$59,634,889 at June 30, 2009.

- (2) Total liabilities of the Metro Revenue Commission increased 2.04% (\$54,157,325 as of June 30, 2010 to \$55,259,697 as of June 30, 2011). Deferred revenue and refunds payable decreased \$2,017,628 from June 30, 2010 to June 30, 2011. Due to other funds increased 6.73% from \$40,483,771 as of June 30, 2010 to \$43,206,993 as of June 30, 2011 due to higher tax collections.

Total liabilities of the Metro Revenue Commission were \$59,569,179 at June 30, 2009. Due to other funds were \$44,079,224 at June 30, 2009.

- (3) Total net assets of the Metro Revenue Commission decreased 239.22% from June 30, 2010 to June 30, 2011 (\$38,864) at June 30, 2011 compared to \$27,909 at June 30, 2010). See Statement of Revenues, Expenses and Changes in Net Assets on page 7.

Total net assets at June 30, 2009 was \$65,710.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2011 and 2010

Statements of Revenues, Expenses and Changes in Net Assets

- (1) Total operating revenues of the Metro Revenue Commission increased 4.84% from \$4,849,360 for fiscal year 2010 to \$5,083,838 for fiscal year 2011. Operating revenues are generated from collection fees charged to our fiduciaries. Collection fees are assessed at 1.35% of tax collections for all fiduciaries except Transient Room Tax Accounts, which are assessed at 1.25% collection fee and a 10% investment income fee. Any surplus operating revenue is returned to the Louisville Metro Government's General Fund.

Total operating revenues of the Metro Revenue Commission were \$4,584,006 for fiscal year 2009.

- (2) Total expenses increased 5.58%, from \$4,878,716 in fiscal year 2010 to \$5,150,611 in fiscal year 2011, due to increases in Salaries and Software Licenses.

Total expenses for fiscal year 2009 were \$4,619,060.

- (3) The total change in net assets was a decrease of \$66,773 for fiscal year 2011 as compared to a decrease of \$37,081 for fiscal year 2010. The change in net assets for fiscal year 2009 was a decrease of \$35,054.

Agency Fund Activity Highlights Include (see page 24)

- (1) Total withholding taxes increased 4.32% to \$337,563,178 for fiscal year ended June 30, 2011.

- (2) Total net profit taxes increased 11.10% from \$67,249,484 in fiscal year 2010 to \$74,712,017 for fiscal year 2011.

Total net profit taxes for fiscal year 2009 were \$77,557,294.

- (3) Insurance premium taxes experienced a decline of 3.89% from \$49,970,392 for fiscal year ended June 30, 2010 to \$ 48,100,012 for fiscal year ended June 30, 2011.

Insurance premium taxes for fiscal year 2009 were \$52,726,282.

- (4) Transient room taxes increased 3.05% from \$18,286,081 for fiscal year ended June 30, 2010 to \$18,844,115 for fiscal year ended June 30, 2011.

Transient room taxes for fiscal year 2009 were \$19,547,130.

Capital Assets and Debt Administration

The Metro Revenue Commission did not purchase any capital assets during 2011. The Metro Revenue Commission does not have any long-term debt.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2011 and 2010

Economic Factors

- (1) There continues to be cutbacks by employers and decreases in local employment rates. These changes will continue to affect occupational tax collections in fiscal year 2012.
- (2) The tightening of budgets, the increase in costs and the tightening of credit by banks and lenders could adversely effect business net profits in the next year.
- (3) Insurance premiums are expected to show little or no increase because of the overall economic conditions.
- (4) The occupancy rate of local hotels and motels has declined because of economic conditions. Little or no growth is seen in the collection of transient room taxes.

Contacting the Metro Revenue Commission's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, creditors and elected public officials with a general overview of the Metro Revenue Commission's finances and to show the Metro Revenue Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Metro Revenue Commission at:

Louisville Metro Revenue Commission
617 West Jefferson Street
Louisville, Kentucky 40202

ENTERPRISE FUND

Enterprise funds are a type of proprietary fund used to report activity for which a fee is charged to external users for goods or services.

The Enterprise Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF NET ASSETS – PROPRIETARY FUND/ENTERPRISE FUND
June 30, 2011 and 2010

	June 30	
	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 55,119,598	\$ 54,009,388
Capital Assets , net of accumulated depreciation	<u>101,235</u>	<u>175,846</u>
Total Assets	55,220,833	54,185,234
Liabilities		
Current Liabilities		
Deferred revenue and refunds payable	9,153,110	11,170,738
Accounts payable and accrued expenses	2,193,334	1,887,494
Accounts payable to related parties, Louisville Metro Government	706,260	615,322
Due to other funds	<u>43,206,993</u>	<u>40,483,771</u>
Total Current Liabilities	<u>55,259,697</u>	<u>54,157,325</u>
Net Assets		
Invested in capital assets, net of related debt	101,235	175,846
Unrestricted	<u>(140,099)</u>	<u>(147,937)</u>
Total Net Assets	<u>\$ (38,864)</u>	<u>\$ 27,909</u>
Total Liabilities and Net Assets	<u><u>\$ 55,220,833</u></u>	<u><u>\$ 54,185,234</u></u>

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
 NET ASSETS – PROPRIETARY FUND/ENTERPRISE FUND
 Years ended June 30, 2011 and 2010

	Year Ended June 30	
	2011	2010
Operating Revenues		
Collection, investment and other fees	\$ 5,083,838	\$ 4,849,360
Operating Expenses		
Salaries	2,359,952	2,183,889
Employee benefits:		
Health and life insurance	368,103	330,593
Pension	314,965	337,186
Payroll taxes	161,450	151,214
Computer services	20,400	20,400
Building and office expense	104,117	122,694
Professional services	1,031,318	1,036,796
Postage	269,869	244,389
Forms and printing	68,817	67,862
Equipment maintenance and repair	13,579	-
Equipment purchases	75,496	17,597
Software licenses	168,204	138,965
Supplies	18,739	23,329
Telephone	33,726	54,347
Court fees and costs	39,899	33,893
Depreciation	74,611	93,030
Travel	2,476	6,164
Miscellaneous	24,890	16,368
Total Operating Expenses	5,150,611	4,878,716
Operating Income (Loss)	(66,773)	(29,356)
Nonoperating Expense		
Loss on disposal of fixed assets	-	(8,445)
Change in Net Assets	(66,773)	(37,801)
Net Assets Beginning of Year	27,909	65,710
Net Assets End of Year	\$ (38,864)	\$ 27,909

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF CASH FLOWS – PROPRIETARY FUND/ENTERPRISE FUND
Years ended June 30, 2011 and 2010

	Year Ended June 30	
	2011	2010
Cash Flows From Operating Activities		
Cash received from collection, investment, and other fees	\$ 5,083,838	\$ 4,849,360
Cash paid to employees	(3,204,470)	(3,002,882)
Cash paid to suppliers	(1,946,141)	(1,969,400)
Increase (decrease) in cash collected for others	1,176,983	(5,225,258)
Net Cash Provided By (Used In) Operating Activities	1,110,210	(5,348,180)
Cash Flows From Capital Activities		
Purchase of capital assets	-	(48,435)
Net Increase (Decrease) In Cash and Cash Equivalents	1,110,210	(5,396,615)
Cash and Cash Equivalents Beginning of Year	54,009,388	59,406,003
Cash and Cash Equivalents End of Year	<u>\$ 55,119,598</u>	<u>\$ 54,009,388</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities		
Operating income (loss)	\$ (66,773)	\$ (29,356)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	74,611	93,030
Changes in assets and liabilities		
Decrease in deferred revenue and refunds payable	(2,017,628)	(1,629,806)
Increase in accounts payable and accrued expenses	305,840	(39,045)
Increase in accounts payable to related parties	90,938	(147,550)
Increase (decrease) in due to other funds	2,723,222	(3,595,453)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,110,210</u>	<u>\$ (5,348,180)</u>

See accompanying notes to financial statements.

AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission as set forth in Louisville Metro Government Code of Ordinances Section 32.110.

The School Boards Agency Fund and Mass Transit Trust Agency Fund are used to account for the collection and dispersal of occupational license fees for local government units.

The Transient Room Tax Agency Fund collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center and also for the debt service.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF FIDUCIARY NET ASSETS – AGENCY FUNDS
June 30, 2011 and 2010

	June 30	
	2011	2010
Assets		
Due from Enterprise Fund	\$ 43,206,993	\$ 40,483,771
Total Assets	<u>\$ 43,206,993</u>	<u>\$ 40,483,771</u>
Liabilities		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	26,904,020	25,337,419
Mass Transit Trust Agency Fund	3,490,704	3,381,231
Transient Room Tax Agency Fund	2,601,899	2,100,961
Payable to School Boards Agency Fund	<u>10,069,610</u>	<u>9,523,400</u>
Total Liabilities	<u>\$ 43,206,993</u>	<u>\$ 40,483,771</u>

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisville/Jefferson County Metro Revenue Commission (the “Metro Revenue Commission”) was established by an Act of the Legislature of the Commonwealth of Kentucky in 1851. It operates as a component unit of the Louisville/Jefferson County Metro Government (“Louisville Metro Government”).

The financial statements of the Metro Revenue Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, Metro Revenue Commission has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Metro Revenue Commission has elected to apply all applicable Financial Accounting Standards Board Statements and Accounting Principles Board opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The more significant of the Metro Revenue Commission’s accounting policies are described below:

Reporting Entity: The Metro Revenue Commission’s financial statements include all funds and accounts of its operations. The Metro Revenue Commission is financially dependent upon the Louisville Metro Government. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Louisville Metro Government’s General Fund. The Commissioners consist of the Mayor of the Louisville Metro Government, the Superintendent of the Jefferson County Public School System, the President of the Louisville Metro Council, and three citizen members appointed by the Mayor and approved by the Louisville Metro Council. The budget of the Metro Revenue Commission is formally approved by the Louisville Metro Council. The existence and operations of the Metro Revenue Commission are governed by the Louisville Metro Government Ordinances.

The primary functions of the Metro Revenue Commission include: (1) the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Louisville Metro Government; (2) collection and remittance of monies to paying agents for payments of the debt service requirements of the general obligation bonds of the Louisville Metro Government; (3) payment of the Metro Revenue Commission’s administrative cost to carry out its duties; and (4) any excess monies of the Metro Revenue Commission is transferred to the Louisville Metro Government’s General Fund. In addition to these duties, the Metro Revenue Commission acts as a collecting agent of certain license fees and taxes for other local governmental units.

Basis of Presentation: The accounts of the Metro Revenue Commission are organized on the basis of funds, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The Metro Revenue Commission uses the following generic fund types in its activities:

Proprietary Fund Type:

Enterprise Fund: The Enterprise Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission’s operations.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenues of the Enterprise Fund are collection, investment, and other fees. Operating expenses include salaries and related taxes and benefits, postage, professional services, depreciation, and other costs of conducting collection activities. All revenues and expenses not meeting this definition are reported as non-operating items.

As noted above, the Metro Revenue Commission is a component unit of Louisville Metro Government. As such, its financial statements are included within the financial statements of Louisville Metro Government. Because Louisville Metro Government is the predominant participant in the activities of the Metro Revenue Commission, and the Commission is financially dependent on Louisville Metro Government, their financial statements will reflect the Metro Revenue Commission as an internal service fund as a blended component unit.

Fiduciary Fund Types: Agency Funds have been established to account for monies collected on behalf of other governmental entities.

Louisville Metro Agency Funds: The Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission. The following is a description of each of the Louisville Metro Agency Funds:

Tax Collections and Other Receipts Agency Fund: This Fund is used to account for collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, other special taxes, delinquent property taxes, interest and penalties, and interest earned on investments. These collections are then remitted monthly to the Louisville Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Louisville Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the Enterprise Fund.

Louisville Water Company Agency Fund: The Metro Revenue Commission collects dividends on the stock of the Louisville Water Company. Dividends collected by the Metro Revenue Commission are then remitted to the Louisville Metro Government. The collection and subsequent remittance of these dividends are reflected in this Agency Fund.

Current Debt Requirement Agency Fund: The Current Debt Requirement Agency Fund is used to accumulate funds from the Louisville Metro Government's tax collections to pay the annual bond principal and interest requirements on the Louisville Metro Government's general obligation bonds. Bond principal and interest payments were \$16,170,000 and \$9,088,084, respectively, for the year ended June 30, 2011, and \$8,890,000 and \$7,677,922 respectively, for the year ended June 30, 2010. The total amount of general obligation bonds is reported by the Louisville Metro Government in its financial statements.

As previously noted, the financial statements of the Metro Revenue Commission are also included within the financial statements of Louisville Metro Government. For financial reporting purposes, Louisville Metro Government will reflect the Louisville Metro Agency Funds referred to above as amounts due to its General Fund.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Boards Agency Fund: The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Jefferson County Board of Education and the Anchorage Independent School District in the School Boards Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental units of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Mass Transit Trust Agency Fund: The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Transit Authority of the River City in the Mass Transit Trust Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental unit of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Transient Room Tax Agency Fund: The Metro Revenue Commission collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts, and accounts for proceeds in the Transient Room Tax Agency Fund.

A collection fee of 1.25% of collections is charged by the Metro Revenue Commission. On the day following the regular monthly Commissioners' meeting, remittance is made to the Louisville Metro Government, which then disburses the tax collected to the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The proprietary fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Collection fee revenue in the Enterprise Fund is recognized when the tax collection is earned for a governmental unit. Expenses in the Enterprise Fund are recognized when the liability is incurred.

The Metro Revenue Commission reports deferred revenue on its statement of net assets. The Metro Revenue Commission collects taxes on certain types of income with which the taxpayers disagree and for which the taxpayers have filed claims for refunds. The Metro Revenue Commission records such amounts as deferred revenue to preclude charging the various agencies a collection fee and to preclude premature distribution of the tax receipts to the respective governmental units until the disputes are resolved.

All Agency Funds are accounted for on the cash basis of accounting. Agency Funds are custodial in nature and do not involve measurement of the results of operations.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting: By ordinance, the Metro Revenue Commission's appropriations come from the Louisville Metro Government's tax collections in an amount sufficient to meet all of its administrative expenses. Appropriations lapse at the end of the year. The Metro Revenue Commission's budget is first approved by the Commissioners, and then submitted for approval by the Louisville Metro Council as part of the Louisville Metro Government's budget. The budget, which may be amended during the year, is adopted on a basis consistent with GAAP.

Interfund Transactions: All collections are received in the Enterprise Fund and recorded as a liability to the appropriate agency funds. All disbursements of collections to the various governmental units are made from the Enterprise Fund and recorded in the various agency funds through the interfund accounts. The Agency Funds use the accrual basis of accounting to recognize receivables and payables.

Capital Assets: Capital assets are recorded at cost. Purchases of furniture, fixtures, equipment and software are capitalized if the value is \$1,500 or greater. Repairs and maintenance are recorded as expenses. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. The estimated useful lives are five years for equipment and software, and ten years for furniture and fixtures.

Compensated Absences: Vested and accumulated vacation leave for employees of the Enterprise Fund is recorded as an expense and a liability as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days.

Earned vacation pay, up to a maximum of 40 days, is payable upon termination of employment. Unpaid vacation earned at June 30, 2011 and 2010 was approximately \$140,090 and \$147,950, respectively, including applicable FICA and Medicare taxes.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid. Unpaid sick leave earned at June 30, 2011 and 2010 was approximately \$446,947 and \$483,225 respectively, including applicable FICA and Medicare taxes.

Statement of Cash Flows: For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as various short-term investments. The Metro Revenue Commission considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net assets, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

The bank balances at June 30, 2011 and 2010, including cash with paying agents, were \$56,064,373 and \$40,866,440, respectively. Of this amount, \$250,000 was covered by federal depository insurance at June 30, 2011 and 2010. The remainder, except for \$3,614,482 at June 30, 2011, was collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balances at June 30, 2011 and 2010 of \$5,016 and \$13,784,703, respectively, consisted of money market mutual funds with JP Morgan Securities. Investments at JP Morgan had an average weighted maturity of approximately two months and a credit rating of Aaa as supplied by Moody's. Such investments were included on the statement of net assets as cash and cash equivalents.

Interest income is remitted to the Louisville Metro Government and to the various governmental units in accordance with an agreed-upon allocation formula. An investment fee of 10% of investment income is charged to the Transient Room Tax Agency Fund.

Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Metro Revenue Commission may not be able to recover the value of its assets held by such financial institution. The Metro Revenue Commission's investment policy states that all cash maintained in any financial institution be collateralized by certain types of investments. With the express approval of the Commissioners, the Metro Revenue Commission may invest up to 10% of its investment portfolio in uninsured certificates of deposit at authorized financial institutions.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. Metro Revenue Commission's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent person rule" outlined in the Metro Revenue Commission's investment policy. The policy states that "investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived." The investment policy does not address diversification of the investment portfolio, but does provide the following guidelines on the types of investments that can be made.

In accordance with its investment policy, the Metro Revenue Commission is permitted to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- (2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States government.
- (3) Obligations of any corporation of the United States government.
- (4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

- (5) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- (6) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- (7) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

NOTE 3 – CAPITAL ASSETS

An analysis of capital assets at June 30, 2011 follows:

	July 1 2010	Additions	Disposals	June 30 2011
Equipment and software	\$ 3,728,771	\$ -	\$ -	\$ 3,728,771
Accumulated depreciation	(3,565,189)	(71,386)	-	(3,636,575)
Net equipment and software	163,582	(71,386)	-	92,196
Furniture and fixtures	85,279		-	85,279
Accumulated depreciation	(73,015)	(3,225)	-	(76,240)
Net furniture and fixtures	12,264	(3,225)	-	9,039
Capital Assets, net of accumulated depreciation	<u>\$ 175,846</u>	<u>\$ (74,611)</u>	<u>\$ -</u>	<u>\$ 101,235</u>

An analysis of capital assets at June 30, 2010 follows:

	July 1 2009	Additions	Disposals	June 30 2010
Equipment and software	\$ 4,050,080	\$ 48,435	\$ (369,744)	\$ 3,728,771
Accumulated depreciation	(3,837,129)	(89,359)	361,299	(3,565,189)
Net equipment and software	212,951	(40,924)	(8,445)	163,582
Furniture and fixtures	85,279	-	-	85,279
Accumulated depreciation	(69,344)	(3,671)	-	(73,015)
Net furniture and fixtures	15,935	(3,671)	-	12,264
Capital Assets, net of accumulated depreciation	<u>\$ 228,886</u>	<u>\$ (44,595)</u>	<u>\$ (8,445)</u>	<u>\$ 175,846</u>

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – RISK MANAGEMENT

The Metro Revenue Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Insurance and Risk Management Fund ("Risk Fund"), a Louisville Metro internal service fund, was established in 1976 to consolidate all of the Louisville Metro Government's insurance or self-insurance under a comprehensive risk management program. This program currently includes all Metro agencies. The Risk Fund consists of a comprehensive self-insurance program relating to the following:

- (1) Automobile Liability: Self-insured up to \$500,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT").
- (2) Worker's Compensation (covering all employees): Self-insured up to \$1,000,000 per occurrence in addition to a \$1,000,000 deductible. Excess coverage is purchased above these retained levels.
- (3) Unemployment Compensation: Completely self-insured.
- (4) Group Health Coverage: Various programs are available as an option to all full-time employees.
- (5) General Liability: Various general liability exposures self-insured up to \$500,000 per occurrence. Employer's liability has a \$1,500,000 per occurrence deductible (\$1,000,000 limit of liability above a \$500,000 self-insured retention is provided by an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.
- (6) Automobile Physical Damage: Self-insured up to \$100,000 per occurrence. Excess coverage is purchased for catastrophic losses.
- (7) Real and Business Personal Property: Self-insured up to \$250,000 per occurrence, except for Flood Zone A which shall have a deductible of \$250,000 in addition to the amount of coverage available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis for all Metro properties through Louisville Area Governmental General Insurance Trust ("LAGGIT"), a property insurance trust.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 5 – INTERFUND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2011 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund	\$ -	\$ 43,206,993
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	140,760	-
Tax Collections and Other Receipts Agency Fund	26,904,020	-
Mass Transit Trust Agency Fund	3,490,704	-
Transient Room Tax Agency Fund	2,601,899	-
School Boards Agency Fund	<u>10,069,610</u>	<u>-</u>
	<u>\$ 43,206,993</u>	<u>\$ 43,206,993</u>

Interfund receivable and payable balances at June 30, 2010 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund	\$ -	\$ 40,483,771
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	140,760	-
Tax Collections and Other Receipts Agency Fund	25,337,419	-
Mass Transit Trust Agency Fund	3,381,231	-
Transient Room Tax Agency Fund	2,100,961	-
School Boards Agency Fund	<u>9,523,400</u>	<u>-</u>
	<u>\$ 40,483,771</u>	<u>\$ 40,483,771</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

Although the Metro Revenue Commission operates as an independent agency and provides services to several governmental units including the Louisville Metro Government, the Jefferson County School Board, and others, it draws its authority to operate from the Louisville Metro Government Code of Ordinances. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Louisville Metro Government General Fund.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

Louisville Metro Government provides professional services to the Metro Revenue Commission. During the years ended June 30, 2011 and 2010, respectively, these expenses totaled \$1,552,693 and \$1,338,850, respectively. The Statement of Net Assets - Proprietary Fund/Enterprise Fund reflects a \$706,260 and \$615,322 payable for June 30, 2011 and 2010, respectively, for professional services incurred by the Metro Revenue Commission for services received from Louisville Metro Government.

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

Retired Metro Revenue Commission employees may receive some health care benefits from the County Employees' Retirement System (the "System") at no cost to the Metro Revenue Commission. The System provides group rates on medical insurance and health maintenance organization ("HMO") coverage for Metro Revenue Commission retirees. In addition, a retiree may pay the cost to obtain coverage for a spouse and dependent children at the same group rates. Participation in the medical insurance/HMO program is optional. Depending on years of service, the amount paid for a retiree by the System is based on the amount of a single coverage premium in the state contract, with the retiree paying any additional cost of coverage.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

All Metro Revenue Commission full-time employees, as Louisville Metro Government employees, participate in the County Employees' Retirement System, a cost-sharing, multi-employer state-wide defined benefit pension plan administered by the Kentucky Retirement System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members. Cost-of-living adjustments are provided at the discretion of the State legislature.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the County Employees' Retirement System. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

The Metro Revenue Commission was required by statute to contribute at an actuarially determined rate of 16.93% and 16.16% during the years ended June 30, 2011 and 2010, respectively. Contributions for the year ended June 30, 2011 were approximately \$407,985 of which \$314,965 was from the Metro Revenue Commission and \$93,020 was from employees. Contributions for the year ended June 30, 2010 were approximately \$447,300 of which \$337,186 was from the Metro Revenue Commission and \$110,114 was from employees. The above contributions were equal to the required contributions for each year.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 – DEFERRED COMPENSATION

The Metro Revenue Commission's employees are offered the opportunity to participate in the Louisville Metro Government deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. Metro Revenue Commission therefore does not show these assets and liabilities on its financial statements.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS**

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS – ALL AGENCY FUNDS
 June 30, 2011

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
Assets					
Due from Enterprise Fund	\$ 27,044,780	\$ 10,069,610	\$ 3,490,704	\$ 2,601,899	\$ 43,206,993
Total Assets	<u>\$ 27,044,780</u>	<u>\$ 10,069,610</u>	<u>\$ 3,490,704</u>	<u>\$ 2,601,899</u>	<u>\$ 43,206,993</u>
Liabilities					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ -	\$ -	\$ -	\$ 140,760
Payable to Louisville/Jefferson County Metro Government:					
Louisville Metro Agency Funds	26,904,020	-	-	-	26,904,020
Mass Transit Trust Agency Fund	-	-	3,490,704	-	3,490,704
Transient Room Tax Agency Fund	-	-	-	2,601,899	2,601,899
Payable to School Boards Agency Fund	-	10,069,610	-	-	10,069,610
Total Liabilities	<u>\$ 27,044,780</u>	<u>\$ 10,069,610</u>	<u>\$ 3,490,704</u>	<u>\$ 2,601,899</u>	<u>\$ 43,206,993</u>

See Report of Independent Auditors.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agent	\$ -	\$ 25,525,665	\$ 25,525,665	\$ -
Due from Enterprise Fund	25,478,179	326,188,386	324,621,785	27,044,780
Total Assets	<u>\$ 25,478,179</u>	<u>\$ 351,714,051</u>	<u>\$ 350,147,450</u>	<u>\$ 27,044,780</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 25,525,665	\$ 25,525,665	\$ 140,760
License fee collections payable: Louisville Metro Agency Funds	25,337,419	326,188,386	324,621,785	26,904,020
Total Liabilities	<u>\$ 25,478,179</u>	<u>\$ 351,714,051</u>	<u>\$ 350,147,450</u>	<u>\$ 27,044,780</u>
<u>School Boards Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 9,523,400	\$ 118,894,818	118,348,608	\$ 10,069,610
Liabilities				
License fee collections payable to School Boards Agency Fund	\$ 9,523,400	\$ 118,894,818	118,348,608	\$ 10,069,610

See Report of Independent Auditors.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF ALL AGENCY FUNDS DUE FROM ENTERPRISE FUND ACCOUNTS
June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Mass Transit Trust</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 3,381,231</u>	<u>\$ 41,576,708</u>	<u>41,467,235</u>	<u>\$ 3,490,704</u>
Liabilities				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 3,381,231</u>	<u>\$ 41,576,708</u>	<u>41,467,235</u>	<u>\$ 3,490,704</u>
<u>Transient Room Tax</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 2,100,961</u>	<u>\$ 18,868,961</u>	<u>18,368,023</u>	<u>\$ 2,601,899</u>
Liabilities				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 2,100,961</u>	<u>\$ 18,868,961</u>	<u>18,368,023</u>	<u>\$ 2,601,899</u>

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF ALL AGENCY FUNDS DUE FROM ENTERPRISE FUND ACCOUNTS
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Totals - All Agency Funds</u>				
Assets				
Cash with paying agents	\$ -	\$ 25,525,665	\$ 25,525,665	\$ -
Due from Enterprise Fund	40,483,771	505,528,873	502,805,651	43,206,993
Total Assets	<u>\$ 40,483,771</u>	<u>\$ 531,054,538</u>	<u>\$ 528,331,316</u>	<u>\$ 43,206,993</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 25,525,665	\$ 25,525,665	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	25,337,419	326,188,386	324,621,785	26,904,020
Mass Transit Trust Agency Fund	3,381,231	41,576,708	41,467,235	3,490,704
Transient Room Tax Agency Fund	2,100,961	18,868,961	18,368,023	2,601,899
Payable to School Boards Agency Fund	9,523,400	118,894,818	118,348,608	10,069,610
Total Liabilities	<u>\$ 40,483,771</u>	<u>\$ 531,054,538</u>	<u>\$ 528,331,316</u>	<u>\$ 43,206,993</u>

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF ALL AGENCY FUNDS DUE FROM ENTERPRISE FUND ACCOUNTS
Year ended June 30, 2011

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
Receipts and Additions					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 210,716,415	\$ 92,561,731	\$ 34,285,032	\$ -	\$ 337,563,178
License fees based on					
business net profits	42,805,864	25,059,069	6,847,084	-	74,712,017
Insurance premium license fees	48,100,012	-	-	-	48,100,012
Truck and trailer license fees	86,154	-	-	-	86,154
Transient room tax	-	-	-	18,844,115	18,844,115
Interest and penalties charged taxpayers	3,186,018	1,240,114	432,712	20,551	4,879,395
Interest earned on investments	167,554	33,904	11,880	4,295	217,633
Dividends - Louisville Water Company	18,232,699	-	-	-	18,232,699
Expenses paid by Louisville Metro Government	2,893,670	-	-	-	2,893,670
Total Receipts and Additions	326,188,386	118,894,818	41,576,708	18,868,961	505,528,873
Disbursements and Deductions					
Payments to governmental agencies	296,732,909	116,743,985	40,906,110	18,131,785	472,514,789
Collection fee paid to the Enterprise Fund	2,363,211	1,604,623	561,125	235,808	4,764,767
Investment fee paid to the Enterprise Fund	-	-	-	430	430
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned					
Principal	16,170,000	-	-	-	16,170,000
Interest	9,355,665	-	-	-	9,355,665
Total Disbursements and Deductions	324,621,785	118,348,608	41,467,235	18,368,023	502,805,651
Excess of Disbursements and Deductions over Receipts and Additions	1,566,601	546,210	109,473	500,938	2,723,222
Due From Enterprise Fund, Beginning of Year	25,478,179	9,523,400	3,381,231	2,100,961	40,483,771
Due from Enterprise Fund, End of Year	\$ 27,044,780	\$ 10,069,610	\$ 3,490,704	\$ 2,601,899	\$ 43,206,993

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LOUISVILLE METRO AGENCY FUNDS

The following section presents the combining statements of the Louisville Metro Agency Funds. The Louisville Metro Agency Funds are a component of the Revenue Commission Agency Funds. The combining statements for all Agency Funds are found on pages 22 – 25.

The Louisville Metro Agency Funds are custodial in nature and do not involve measurement of results of operations. The components of the Louisville Metro Agency Funds are:

The Tax Collections and Other Receipts Agency Fund is used to account for the collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, special taxes, interest and penalties, and interest earned on investments.

The Louisville Water Company Agency Fund collects any dividends paid on the stock of the Louisville Water Company.

The Bond Proceeds Agency Fund is used to account for the proceeds of various Louisville Metro Government general obligation bond issues.

The Current Debt Requirement Agency Fund is used to accumulate funds from Louisville Metro Government tax collections to pay the annual principal and interest requirements on Louisville Metro Government's general obligation bonded debt.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2011

	Tax Collections and Other Receipts Agency Fund	Current Debt Requirement Agency Fund	Totals
Assets			
Due from Enterprise Fund	\$ 26,904,020	\$ 140,760	\$ 27,044,780
Total Assets	<u>\$ 26,904,020</u>	<u>\$ 140,760</u>	<u>\$ 27,044,780</u>
Liabilities			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ -	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>26,904,020</u>	<u>-</u>	<u>26,904,020</u>
Total Liabilities	<u>\$ 26,904,020</u>	<u>\$ 140,760</u>	<u>\$ 27,044,780</u>

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<hr/>				
<u>Tax Collections and Other Receipts Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 25,337,419	\$ 326,188,386	\$ 324,621,785	\$ 26,904,020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Payable to Louisville/Jefferson County Metro Government:				
Louisville Metro Agency Funds- tax collections and other income	\$ 25,377,419	\$ 326,188,386	\$ 324,621,785	\$ 26,904,020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 <u>Current Debt Requirement Agency Fund</u>				
Assets				
Cash with paying agents	\$ -	\$ 25,525,665	\$ 25,525,665	\$ -
Due from Enterprise Fund	140,760	-	-	140,760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 140,760</u>	<u>\$ 25,525,665</u>	<u>\$ 25,525,665</u>	<u>\$ 140,760</u>
Liabilities				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 140,760	\$ 25,525,665	\$ 25,525,665	\$ 140,760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Report of Independent Auditors.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF LOUISVILLE METRO ACCOUNTS AGENCY
DUE FROM ENTERPRISE FUND ACCOUNTS
Year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Totals - Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agents	\$ -	\$ 25,525,665	\$ 25,525,665	\$ -
Due from Enterprise Fund	<u>25,478,179</u>	<u>326,188,386</u>	<u>324,621,785</u>	<u>27,044,780</u>
Total Assets	<u><u>\$ 25,478,179</u></u>	<u><u>\$ 351,714,051</u></u>	<u><u>\$ 350,147,450</u></u>	<u><u>\$ 27,044,780</u></u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 25,525,665	\$ 25,525,665	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	<u>25,337,419</u>	<u>326,188,386</u>	<u>324,621,785</u>	<u>26,904,020</u>
Total Liabilities	<u><u>\$ 25,478,179</u></u>	<u><u>\$ 351,714,051</u></u>	<u><u>\$ 350,147,450</u></u>	<u><u>\$ 27,044,780</u></u>

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF LOUISVILLE METRO ACCOUNTS AGENCY
DUE FROM ENTERPRISE FUND ACCOUNTS
Year ended June 30, 2011

	Tax Collections and Other Receipts Agency Fund	Louisville Water Company Agency Fund	Current Debt Requirement Agency Fund	Totals
Receipts and Additions				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 210,716,415	\$ -	\$ -	\$ 210,716,415
License fees based on business net profits	42,805,864	-	-	42,805,864
Insurance premium license fees	48,100,012	-	-	48,100,012
Truck and trailer license fees	86,154	-	-	86,154
Interest and penalties charged taxpayers	3,186,018	-	-	3,186,018
Interest earned on investments	167,554	-	-	167,554
Dividends - Louisville Water Company		18,232,699	-	18,232,699
Expenses paid by Louisville Metro Government	2,893,670	-	-	2,893,670
Total Receipts and Additions	307,955,687	18,232,699	-	326,188,386
Disbursements and Deductions				
Payments to Louisville Metro Government	278,500,210	18,232,699	-	296,732,909
Collection fee paid to the Enterprise Fund	2,363,211	-	-	2,363,211
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned				-
Principal	-	-	16,170,000	16,170,000
Interest	-	-	9,355,665	9,355,665
Total Disbursements and Deductions	280,863,421	18,232,699	25,525,665	324,621,785
Excess of Receipts and Additions Over (Under) Disbursements and Deductions	27,092,266	-	(25,525,665)	1,566,601
Interfund Transfers	(25,525,665)	-	25,525,665	-
Due from Enterprise Fund, Beginning of Year	25,337,419	-	140,760	25,478,179
Due from Enterprise Fund, End of Year	\$ 26,904,020	\$ -	\$ 140,760	\$ 27,044,780

See Report of Independent Auditors.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Commissioners
Louisville/Jefferson County
Metro Revenue Commission
Louisville, Kentucky

We have audited the financial statements of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the year ended June 30, 2011, which collectively comprise the Metro Revenue Commission's basic financial statements and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated October 31, 2011.

This report is intended solely for the information and use of the Mayor, the Council, management and the Commissioners of the Revenue Commission, and management of Metro Government (the primary government) and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Louisville, Kentucky
October 31, 2011